

Consumer Report: Hidden Dangers in the Home Buying/Refinancing Process

Provided By:



Carnanco Land Transfer, Inc.

See the Possibilities. . .

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Printed in the U.S.A.



CLT- Title Services

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Title Insurance

What is Title?

Title is the proof that a person or company has the right to own and use a property. Title most often takes the form of a Deed but the right to a property can take many other forms too. It is possible that someone other than the current owner has a legal right to a property. A claim to your title can result in lost money and even the loss of your home.

What is Title Insurance?

Title Insurance is an insurance policy that protects you and your lender against defects in Title.

Why is it needed?

It is not uncommon for individuals and entities other than the record owner of property to have a right, interest or claim to that property. For instance, most people borrow money in the form of a mortgage in order to purchase their home. That mortgage gives the lender a right to the property. If the borrower defaults on their loan, the lender may exercise their right to the property, foreclose, and attempt to regain some of their lost money by selling that property.

What would you do if that unpaid mortgage had been taken out by the previous owners? Title Insurance protects against claims such as that.

Other examples of risks against which standard title insurance may protect you include unpaid judgments, taxes and municipal services, undisclosed or missing heirs, use restrictions, forged documents, signatures of minors or mentally incompetent persons, fraud, clerical errors, wills not probated and more.



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Dangers of Picking the Wrong Title Company

Honesty and Integrity

Some auto repair shops are honest and trustworthy while others will replace parts that are not even broken just because you don't know any better. Any time you chose a company to provide you with services, it is important to do your homework first. Title companies are no different.

For the sake of speed and higher profit margins, some title companies will cut corners that could put you at risk of losing your home. Other title companies have little or no customer service and are less than helpful if you have questions. The majority of title companies issue only insurance that covers you for things that have happened only in the past. Occasionally, you'll hear reports of company owners or employees who have stolen millions from escrow funds.

Referrals

Do not think you are safe if you use the company your real estate agent or mortgage broker recommend. In 2005, insurance regulators in California, Colorado, and Washington state joined investigative forces to stop what they allege are kickbacks from title insurance companies to real estate agents, lenders, and developers. Many more states are conducting their own investigations. This is not the first time the title industry has been investigated for illegal kickbacks for business referrals. There is no guarantee that a company referred by your agent or broker is one that will serve your best interest. On the contrary, even a title company that gives no kickback will still have an interest in serving the needs of the referring party in order to guarantee future referrals.

It is important to do your own research and pick the company you feel most comfortable with. After all, they are the ones responsible for distributing the money in the transaction.

(If you are choosing your own title company, be sure to make that fact very clear to all real estate agents, mortgage brokers and lenders. Most will automatically order it for you. Also carefully watch what you sign. Some companies will slip in a document that has you relinquish your right to choose your title company. It is YOUR RIGHT and they can not force you to use their company.)



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Things to Consider When Picking a Good Title Company

Title Companies provide for a fair and equitable transfer of real estate property from one person to another.

The process assures that the lender releases the home purchase funds at or about the same time the deed is signed to reflect new ownership. To facilitate that goal, title companies provide the means for depositing, with a neutral third party, funds, documents and instructions necessary to complete the transfer.

Because the real estate transaction involves large sums of money and reams of documentation, the title process is not always a predestined, step-by-step process, but can become a confusing end game of details, nit picking and overlapping procedures.

Requiring special preparation, attention to detail, and desire from both sides to close the deal, title is perhaps the most complicated part of what's likely the most emotionally trying and intricate transaction you'll ever complete.

But there are some features to look for in a title company that can help to simplify the process and ensure a good experience:

- Get referrals from friends, family and co-workers. Even get referrals from your real estate agent or mortgage broker. Just be sure to ask a lot of questions regarding the nature of their relationship and specific reasons why they think you should do business with that company.
- Find a title company with extensive experience in your location. Local custom plays a large role in the home buying process and the company you do business with must be familiar with local laws and customs.
- Look for a professional who is patient, exacting and willing to give you the time and information you need to understand the process. Some companies even have informational and educational brochures.
- Ask if they offer Enhanced Policies. These policies provide important coverage beyond the “past events only” coverage of the Basic policy for a very small increase in cost.
- Technology can also play an important role in your transaction. Some companies offer online systems that allow you to check the status of your file, view documents, and communicate with all parties. This can give you a greater sense of comfort and control over the transaction. In addition, if closing will not be in the title company’s office, find out if their closer will be bringing a laptop and



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- printer. The ability to change & print documents and print checks at the settlement table can greatly reduce the amount of time you spend at closing.
- If time is a big factor, some title companies will send a closer out to your location of choice. For a fee, of course. Be sure to find out if they offer this service and what it will cost you.
 - Document Preparation. Most title companies will prepare a deed for you but if you need a Power of Attorney, any specialized deeds, or other documents you may be forced to see an attorney.



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How to Get a Good Price

- Ask for a fee quote in writing from several Title companies. While title fees are included on the good faith estimate you get from a lender they are very inaccurate. The title company sets their own fees and the lender generally does not ask them for these fees when preparing the good faith estimate. In addition, be sure to get all their fees not just the title premium. The title premium is set by the state and based upon the sale price or loan amount. There will be little variation from one company to another on the premium.
- Ask if you qualify for the Reissue Rate or Substitution Rate. The state has mandated certain situations where the title premium can be discounted as much as 30%. Unfortunately, many title companies will not give you these rates unless you ask.
- You may also be able to save money if you close in the title office.
- Get pricing for a Basic Policy and an Enhanced Policy as well as an explanation on the differences in coverage. Keep in mind that as your home rises in value you will, over time, be underinsured if you purchase a Basic Policy whereas the value of the coverage on an Enhanced Policy goes up over time for no additional fee.



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